

**REPORT OF THE AUDIT OF THE
GREENUP COUNTY
CLERK**

**For The Year Ended
December 31, 2002**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Robert W. Carpenter, Greenup County Judge/Executive
Honorable Donald L. Davidson, Greenup County Clerk
Members of the Greenup County Fiscal Court

The enclosed report prepared by Morgan-Franklin, LLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Greenup County, Kentucky, for the year ended December 31, 2002.

We engaged Morgan-Franklin, LLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Morgan-Franklin, LLC, evaluated the Greenup County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GREENUP COUNTY CLERK

**For The Year Ended
December 31, 2002**

Morgan-Franklin, LLC has completed the Greenup County Clerk's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees decreased by \$18,459 from the prior calendar year, resulting in excess fees of \$43,274 as of December 31, 2002. Revenues increased by \$148,097 from the prior year and disbursements increased by \$166,556.

Report Comment:

None.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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Morgan-Franklin, LLC
Certified Public Accountants
P.O. Box 428
513 Main Street
West Liberty, Kentucky 41472

To the People of Kentucky
Honorable Paul E. Patton, Governor
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Independent Auditors' Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Greenup County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
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In accordance with Government Auditing Standards, we have also issued our report dated July 18, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

Morgan - Franklin, LLC

Morgan-Franklin, LLC

Audit fieldwork completed -
July 18, 2003

GREENUP COUNTY
DONALD L. DAVIDSON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

State Fees For Services	\$	17,040
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Fiscal Court		71,832
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	771,745
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Usage Tax		3,692,217
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Tangible Personal Property Tax		2,390,379
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Licenses-

Marriage		23,137
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Deed Transfer Tax		56,215
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Delinquent Tax	524,847	7,458,540
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	42,526
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Real Estate Mortgages		72,216
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Chattel Mortgages and Financing Statements		99,947
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Notary		11,192
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Powers of Attorney		2,123
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All Other Recordings		16,452
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Charges for Other Services-

Candidate Filing Fees	3,380	
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Copywork	6,985	254,821
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Other:

Postage	\$	482
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Refunds		14,280
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Redeposited Funds		4,520
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Taxes to Sheriff		1,533
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Miscellaneous	2,542	\$ 23,357
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Interest Earned		5,391
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Total Receipts	\$	7,830,981
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The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
DONALD L. DAVIDSON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2002
(Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 581,893

Usage Tax 3,576,630

Tangible Personal Property Tax 837,745

Licenses, Taxes, and Fees-

Delinquent Tax 60,685

Legal Process Tax 33,494 \$ 5,090,447

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 148,067

Delinquent Tax 41,353

Deed Transfer Tax 53,237

Miscellaneous 91 \$ 242,748

Payments to Other Districts:

Tangible Personal Property Tax \$ 1,299,196

Delinquent Tax 311,953 1,611,149

Payments to County Attorney

67,405

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 393,721

Employee Benefits-

Employer's Share Social Security 34,263

Employer's Paid Health Insurance 24,000

Other Payroll Disbursements 1,488

Contracted Services-

Contract Labor 8,030

Advertising 116

Professional Services 24,041

GREENUP COUNTY

The accompanying notes are an integral part of this financial statement.

DONALD L. DAVIDSON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2002
 (Continued)

Disbursements (Continued)

Materials and Supplies-			
Office Supplies	28,294		
Other Charges-			
Conventions and Travel	13,869		
Utilities	10,355		
Postage	6,549		
Rent	11,636		
Election Expense	72,156		
Refunds	22,052		
Prepare Tax Bills	6,338		
Unhonored Checks	682		
Auto Expenses-			
Maintenance and Repairs	9,800		
Insurance	199	\$	667,589
Operating Disbursements and Capital Outlay:			
Capital Outlay-			
Office Equipment		5,801	
Debt Service:			
Lease Purchases		24,850	
Total Disbursements			\$ 7,709,989

GREENUP COUNTY
 DONALD L. DAVIDSON, COUNTY CLERK

The accompanying notes are an integral part of this financial statement.

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Year Ended December 31, 2002
 (Continued)

Net Receipts		\$	120,992
Less: Statutory Maximum	\$	71,153	
Training Incentive		<u>2,965</u>	<u>74,118</u>
Excess Fees		\$	46,874
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for 2002		\$	43,274
Less: Payments to County Treasurer			
February 21, 2003		40,086	
August 20, 2003		<u>3,188</u>	<u>43,274</u>
Balance Due at Completion of Audit		\$	<u><u>0</u></u>

The accompanying notes are an integral part of this financial statement.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the year.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2002
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2002, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Operating Leases

The Clerk's office is committed to the following lease agreements as of December 31, 2002:

The office of the County Clerk is committed to an operating lease agreement with Software Management for computer equipment and software. The agreement is renewable on an annual basis and requires monthly payments of \$1,896.

The office of the County Clerk is committed to an operating lease agreement with Chito Ymalay, M.D., Greenup County, Kentucky for the office space of the Flatwoods branch of the County Clerk's office. The agreement requires annual payments of \$9,000 and expires on December 31, 2006.

The office of the County Clerk is committed to an operating lease agreement with Pitney Bowes Credit Corporation for a mailing machine. The lease is renewable annually and requires quarterly payments of \$666.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2002
(Continued)

Note 5. Escrow Account

The County Clerk has a certificate of deposit and a checking account, totaling \$48,932.34 as of December 31, 2002, which consists of an ongoing account originating from unclaimed funds from the purchase of land for public use. The owners and heirs could not be located. The last transaction in the accounts occurred in November 1979. KRS 393.202 states, "If any property having a situs in this state has been devised or bequeathed to any person and is not claimed by that person or his heirs...within seven years after the death...it shall vest with the state." Since the unclaimed funds have been in possession of the County Clerk for more than seven years, and the owners and heirs cannot be located, they should surrender the funds to the Department of the Treasury.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Morgan-Franklin, LLC
Certified Public Accountants
P.O. Box 428
513 Main Street
West Liberty, Kentucky 41472

To the People of Kentucky
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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Greenup County Clerk for the year ended December 31, 2002, and have issued our report thereon dated July 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Greenup County Clerk's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greenup County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

Morgan - Franklin, LLC

Morgan-Franklin, LLC

Audit fieldwork completed -
July 18, 2003

